

COMMITTEE ON FINANCE

May 22, 2002

6:30 PM

Chairman O'Neil called the meeting to order.

Chairman O'Neil called for the Pledge of Allegiance, this function being led by Alderman Sysyn.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Thibault and Forest

Messrs: Mark Nicholson, V. Lamberton, H. Ntapalis

Chairman O'Neil stated the first item of business we will take up tonight is the recommendation with regards to health insurance. I would ask our Human Resources Director, Virginia Lamberton and our consultant, Mark Nicholson to please come forward.

Ms. Lamberton asked does everybody have a copy of the report. The report I gave you is the second report from our consultant, Group Benefits Strategies. They had been working in helping me and our insurance committee go over all of the different scenarios that we got regarding health insurance. Jack Sharry who is the President of Group Benefits Strategies and Mark Nicholson sat with me and other employees from the City to go over and see if we could negotiate different items with the two companies we selected to come in as finalists for the health insurance. Those companies were Anthem Blue Cross and HealthTrust. A report has now been done on the results of that meeting. What I am going to do is turn the meeting over to Mark and have Mark walk through his report with you and teach you or tell you what all of the different numbers mean and then I don't know how you want to handle it and whether you want people to be able to ask questions as we go through it.

Chairman O'Neil stated it would probably be easier if we waited for you folks to at least make your initial presentation.

Ms. Lamberton replied whatever is easier for you. We just want to make sure that everybody understands because it is very complicated. It is a whole profession, which is why we have the consultants separate from all of our professions. With that, I will turn it over to Mark.

Mr. Nicholson stated let me take a very brief moment to go over the review that we have done on the RFP process itself. We were chosen as the consultant to review the health insurance proposals around the first week of March. We put together an executive summary of the health insurance proposals and reviewed that with interested parties at a meeting at the Airport on April 9. In consideration of the complexity of the RFP, we elected to subcontract the review of the prescription drug piece and we subcontracted that with a company in Connecticut called PBI-RX. They are a consultant that specializes in prescription drug plans. They presented their overview of the prescription drug piece at a similar meeting at the Airport on May 2. On May 9, we met with as Ginny pointed out, the two finalists, Anthem Blue Cross and HealthTrust. At that time, we asked them various questions, asked for different concessions and revisions to their original proposal and they were both very forthright and provided those back to us in a very timely fashion in a day or so. On Monday, Ginny and I met with the Mayor's Insurance Committee to review the report that is in front of you now. Let me just start by saying there is a sheet that is after the narrative and it shows the negotiated concessions and revisions from that May 9 meeting. Basically, Anthem Blue Cross and Blue Shield agreed to reduce the stop-loss premium, also called reinsurance, by 10% from their original proposal. They reviewed their underwriting, the trend that they use to come up with the rates and the trend currently is lower than the original one they use so they dropped that by a point to about 14%. They also waived their network access fee. You can see HealthTrust also gave some concessions here. They reduced the administration in their reinsurance premium by 4.2%. They lowered the trend for rating purposes to 14% and they also agreed to cap for next year, for FY2004, their administrative fee and their reinsurance. On April 9, we recommended at that time after reviewing the health insurance proposals that for FY03 the City and the Schools remain with Anthem. We made a recommendation to the Mayor's Insurance Committee on Monday to stay with that same recommendation, remain with Anthem. Our recommendation is based on both financial and non-financial reasons. The financial reason is on that same page. In reviewing the fixed costs for those two vendors, the proposals, Anthem's fixed costs and by that I mean administration and reinsurance, is projected to be lower than HealthTrust's. The non-financial reason, although HealthTrust appears to be a very viable alternative, they provided some good concessions and they are certainly willing to and want the City of Manchester to be part of their consortium but the one concession they were not able to come through with, which we feel is very important is they were not able to do anything with their lock out provision that is in their by-laws. By that I mean if you went with HealthTrust and a year or so down the road you were

disappointed and wanted to leave, you would not be able to purchase your health insurance through the vendor that HealthTrust uses and in this case that vendor is Anthem Blue Cross/Blue Shield. In a nutshell, we weighed the two sides in terms of...it was our opinion that it would be better to maintain the opportunity to leave Anthem as opposed to close the door and not be able to return to them if anything happened down the road. The report here would take quite awhile to go through and I am not going to bore you but our report is based on the way the proposals came in. They were based on City alone, Schools alone and the City and Schools together. If you take a look at Page A-1, I will just go over this as an example. A-1 is for the City alone. The very top box shows the current rates for Anthem for Blue Choice and Matthew Thornton Blue. Below shows their original proposals – the anticipated claims, administrative costs and the stop-loss premium or reinsurance. That was projected originally to be about \$11,800,000. If you go to Page A-2, that is their revised proposal. The area that decreased here...two areas, their anticipated claims was basically tweaked a little and the reinsurance dropped from \$760,000 roughly to \$668,000. Page A-3 is their revised proposal using a different stop-loss deductible. Presently, our deductible here is \$100,000 for each individual person. To go to \$125,000 deductible as you can see there would be some savings but you have to weigh that savings against the additional exposure that the City and the Schools would have. Page A-4 is essentially the same as A-3 but if we dropped the aggregate portion of the stop-loss. Right now, we have 115% aggregate coverage. Does anyone need an explanation on the stop-loss? I think everyone probably understands specific. Aggregate stop-loss covers the claims in total. At 115%, that is 115% over and above Anthem's projected claims. If claims go that high and reach that figure, Anthem would be responsible for everything over and above that 15% threshold.

Alderman DeVries asked can I get a clarification. In your cover letter you are indicating no further reinsurance and if the two groups are insuring separately you would not recommend increasing to \$125,000 but staying at the \$100,000. Could you clarify why you are recommending that and telling us which sets of numbers?

Mr. Nicholson replied the combined total of the City and the Schools is about 3,800 subscribers. Separately, obviously it is like half for each. Increasing the deductible for the smaller groups we would feel is probably not in your best interest. Having a bigger group, I think you can have a higher deductible.

Alderman DeVries responded I understand that except when you show the revisions on Page A-3 or A-4, you are working that with that \$125,000 so the numbers for City only are with \$125,000 and the 115% aggregate.

Mr. Nicholson replied yes I wanted to show all the proposals that were received.

Alderman DeVries responded jumping the gun is what you are saying.

Mr. Nicholson replied yes.

Alderman Gatsas asked can you explain to me if we go from A-1 to A-2 to A-3, we have tweaked claims as you said. Now why have we tweaked claims when they should be at least when you are comparing them the same amount of claims should be used. Now the specific is \$100,000 per individual?

Mr. Nicholson answered correct currently.

Alderman Gatsas asked per individual. The \$125,000 is per individual.

Mr. Nicholson answered that is correct.

Alderman Gatsas asked so if we had everybody hit the \$125,000 mark we would be \$25,000 times 885 members. Is that correct?

Mr. Nicholson answered yes that is correct.

Alderman Gatsas asked so we would be exposing ourselves to an additional \$22 million in claims and we are only going to save...not it is going to cost us more money. Let me just go through it so the rest of these gentlemen can understand where I am going. If we are increasing the specific from \$100,000 to \$125,000, that means the City is taking on more risk. That risk being somewhere in the vicinity, if every member on the policy went to the specific, of an additional \$22 million. For that additional risk that we are taking, most people would think you would save money in premium amount. However, it is costing us an additional \$210,000 in premium. That doesn't make sense to me. If you look at the projection on annual cost on Page A-3 it is \$10,004. If you look at the projected annual cost on A-2, which as been tweaked on claims, there is \$210,000. Now why we would be tweaking claims to do a comparison from one to the other, I don't understand.

Mr. Nicholson replied I said the same thing to myself when I looked at this. Here is the reason. Let me explain. I called Anthem to ask them the exact same question. Although the reinsurance premium decreases, Alderman, as you can see when you go from \$100,000 to \$125,000, they figure that there is some additional exposure on the claims side so they have to take that into consideration. Rather than claims being capped at \$100,000, there could be various claims that could go up to \$125,000 and they take that into consideration and that is why the anticipated claims number is higher.

Alderman Gatsas asked can you tell me how many...obviously you must have done an audit on how many claims we had exposed to over \$125,000 last year.

Mr. Nicholson answered last year I believe it was three.

Alderman Gatsas asked to what amount.

Mr. Nicholson replied I don't have that with me but I don't believe any exceeded \$200,000 so it was in between \$100,000 and \$200,000.

Alderman Gatsas asked so basically all that we would be exposed to if there were three...if all of them were above the \$125,000, the most exposure we would have is \$75,000.

Mr. Nicholson answered that is correct.

Alderman Gatsas asked but for us to obtain a coverage of \$125,000 we are being exposed for more at risk. That doesn't...whatever they gave you for an explanation doesn't come close to making sense.

Ms. Lamberton answered it is my understanding that we quite a few more the year before and I think they are looking at the experience over several years. Off the top of my head I don't remember how many were more than \$100,000 but there were quite a few more.

Alderman Gatsas stated but what I am understanding is that the most risk we can absorb is to \$125,000. From \$100,000 to \$125,000 is the additional risk the City is willing to take. They are tweaking claims up, not only in the first scenario but in the second one when the aggregate stays the same. If you look, their claim amount on A-1 goes from \$7.9 million down in the second instance to \$7.8 million and nothing has changed. Why they are tweaking them down to do a comparison basis is beyond me. The claims should be the same in each one of those scenarios.

Mr. Nicholson replied the difference between A-1 and A-2 is because they revised their rating calculation and lowered the trend. The original calculation is A-1 then as I said that was based on a 15% trend. They revisited that and based their calculation on a 14% trend. That is the difference from A-1 to A-2.

Alderman Gatsas asked so why shouldn't that 14% trend be used in A-3.

Mr. Nicholson answered it is my understanding that it was but the claims piece is higher because that would be at \$125,000.

Alderman Gatsas stated it is \$182,000 difference for three claims that went above.

Ms. Lamberton replied that year.

Alderman Gatsas responded no I am saying that is the way they figured it. It is \$182,000 difference from going from \$100,000 specific in claims to \$125,000

specific. They have changed that amount by \$182,000 in claims and adjusted that on a higher basis by \$210,000.

Mr. Nicholson stated they have also reduced the reinsurance premium by \$150,000.

Alderman Gatsas responded I am not concerned with the reinsurance because that is a different line item. You can't look at that as an offset.

Mr. Nicholson replied looking at the whole picture though. The three pieces together.

Alderman Gatsas stated we should be looking at claims against claims. If they are tweaking one side, they should be tweaking it consistently through and they shouldn't be looking at an increase of \$182,000 in claims for an aggregate that is \$125,000 and not reducing any of the anticipated claims. They are increasing anticipated claims per individual and I don't know how they are doing that. Do you know how they are doing it?

Mr. Nicholson replied the explanation I got was that anticipated claims are going to be higher when your exposure is higher from \$100,000 to \$125,000 and the offset of that is the lower reinsurance premium.

Alderman Lopez stated I sat in with the Insurance Committee and there were a lot of questions in the beginning. I think if we go through the complete process, and those are very good questions you asked Alderman Gatsas but I think if we allow him...because you are going to lose us with all your numbers if we don't go through the whole presentation so respectfully I would ask that we let them make the presentation and I think you will see a lot of stuff in here.

Alderman Gatsas replied Alderman Lopez they couldn't show me anything on the next 40 pages that is going to correct the first one. He asked the same question and couldn't get an answer so if we are hiring him as our consultant and he picked up the very same thing that we did and didn't get an answer how are the rest of us going to understand it then?

Alderman Lopez responded all I am saying is we should let them go through this process. Those are very good questions and we can come back to them.

Mr. Nicholson stated I believe we are up to Page A-5. A-5 is their revised proposal if, in fact, those benefit changes that are noted would be passed. Going from a three tier point of service to a two tier, going to a \$15 office visit, going to a \$75 emergency room co-pay, changing the prescription drugs and the mail order prescription drugs. Now obviously those all have to be bargained but we asked Anthem to provide us the cost projections for those and I wanted to show those

here. If you go to Page A-6, I think this might help some people take a look at just the overall picture here. The top box are the current rates and employer and employee contributions. For instance, a family member on Blue Choice presently pays \$105.24. A family member on Matthew Thornton currently pays \$34.33. The middle box shows the original proposal. The bottom shows their revised proposal. By revised I mean the same stop-loss deductible. As you can see on the bottom boxes where it says combined totals, the City essentially pays about 90% of the cost and the employees pay about 10% when you combine the Blue Choice and Matthew Thornton plans together. Page A-7 shows those other scenarios and Alderman Gatsas I think...this is where I caught what you brought up. If you look at the bottom box on Page A-6, their revised proposal at \$100,000 specific, and you look at the top box on Page A-7 at \$125,000 specific, you note that the \$125,000 rates are higher. That is the explanation they gave me, that the higher exposure would mean higher anticipated claims. Does anybody have any questions on these two pages? The next section is the Schools alone. In the same format, we begin with the original proposal and move on with the revised proposals.

Alderman Gatsas asked the working rate that they have here is obviously based on a percentage of administration fee.

Mr. Nicholson answered their administrative cost is based on a family and an individual rate that they add on to the anticipated claims. It is not a percentage of the claims.

Alderman Gatsas asked is that administration fee higher. Is their administration fee higher on a \$125,000 versus \$100,000?

Mr. Nicholson answered no.

Alderman Gatsas asked what is the difference.

Ms. Lamberton answered actually they have not proposed an increase in that fixed administrative fee for the next year.

Alderman Gatsas stated my question is this. From the \$100,000 to \$125,000 is their administration fee the same on both of them?

Ms. Lamberton replied yes.

Alderman Gatsas stated so the increase that we see in the working rate per individual is based on claims.

Mr. Nicholson replied yes. The administrative fee...just take a look. What page are you on right now?

Alderman Gatsas answered I am on Page A-6.

Mr. Nicholson stated if you look at Page A-2, the middle box at the bottom shows the administrative costs. That totals on the far right, \$721,000. If you go to A-3, that figure is the same.

Alderman Gatsas asked on A-6.

Mr. Nicholson answered A-2 to A-3. If you go to Page A-13 I think I can give you a fairly good comparison between the City rates and the School rates. Comparing Page A-6 to A-13, you will see that there is a slight difference in the rates. Oddly enough, the School rates for Blue Choice are lower and the City's rates for Matthew Thornton are lower for the new year comparing the bottom boxed, the revised original proposal on Page A-6 to that on Page A-13. Now the last section I have is if the City and the School combine to purchase their insurance. In that regard, if you would like to compare you could look at Page A-20. Again, it was our original recommendation that the economies of scale of having one large buying group would probably make the most sense, but that being said, both City and Schools are essentially big enough to be on their own and I guess they are right now. Moving forward I think having a larger buying group is the better way to go. Does anyone have any other questions? Can I help clarify anything?

Alderman Shea stated I guess the reason that the School wants to stay on its own if it were to stay on its own is because they can save a few hundred thousand dollars. Is that correct?

Mr. Nicholson replied their experience, their claim experience for the past year or so has been better than the City's experience. Is that going to flip-flop down the road? It certainly could but at this point in time the rates for the Schools on the bigger plan, the Blue Choice plan are better on their own.

Alderman Shea asked because of fewer claims.

Mr. Nicholson answered yes.

Alderman Shea asked and is that a good amount like a couple of hundred thousand dollars.

Mr. Nicholson answered you can see on the rates if you compare Page A-7 to Page A-13. On the bottom box notice that the rates for Blue Choice for an individual would be \$418.31. Do you see that? That is for the City. For the Schools on Page A-13, the bottom box for an individual would be \$401. So, yes their rates would

be lower than the City's. Now that is for this year. The rates are developed based on the claims experience.

Alderman Gatsas asked the School Department's health insurance, they have been on their own since last year and they are going into their second year.

Mr. Nicholson answered that is correct.

Alderman Gatsas asked so the claims that they are looking at and correct me if I am wrong Ginny but when they separated from the City side did they take claims with them or did the City absorb those.

Mr. Randy Sherman stated they took all of those claims with them.

Alderman Gatsas asked so when the two companies looked at their claim losses they actually looked at them for 12 months running or for the calendar year that they were in because there is a 90-day lag before those claims...what is the Schools actual monthly claim run average right now. What was it last month?

Mr. Sherman answered we don't know.

Alderman Gatsas asked how did we get a bid then.

Mr. Nicholson answered the claims experience was sent to all of the carriers. I just don't have it in front of me.

Alderman Gatsas replied my question is was it sent...was the claim experience based on 12 months or 9 months.

Mr. Nicholson responded I wasn't part of the RFP process so I can't answer that but my guess is it was probably 12. I don't think anyone would give us a quote without enough data.

Alderman Gatsas stated I think that anything we have ever looked at in the past is that the School side when you put the mirror to the City side, their losses exceeded the City side losses. So what this is telling me is...have we had some catastrophic claims on the City side this year?

Ms. Lamberton replied no.

Alderman Gatsas stated so what you are telling me should not be happening because I know that Schools had two or three catastrophics in the last calendar year that would have been carried. Now maybe the City carried them as their experience and not Schools I don't know.

Mr. Nicholson stated I do believe the experience that was sent to the carriers was probably through late fall of last year because this was sent out in December or January. They probably received claims information through the month of October of 2001.

Alderman Shea stated I think that there were catastrophic problems with the Schools about two years ago or so. I really thought that there were six cases that were brought up. Randy, you are probably more familiar but I thought there were four or five cases of very serious catastrophic problems within the School Department.

Mr. Sherman replied I think there were. There were at least four, five or six. I guess the point I would like to make is keep in mind that Anthem has School claims going back probably for 10 or 15 years. As long as they have been a carrier they have their claims. Even when they were part of the City they still...if you went back to Anthem they could tell you exactly what the Finance Department's claims have been for the last 10 years. They have all of that data. I am not sure, Alderman, that there has been a mix-up there. I just think that School has a larger base, which could explain part of the premium difference.

Alderman Gatsas asked what page are you on, A-13.

Mr. Nicholson answered yes.

Alderman Lopez asked on Page A-5 I just want to double-check on something. The benefit changes, wasn't that \$15 put in there? Wasn't that a change?

Mr. Nicholson answered yes I believe there is a typo there. The prescription drug where it says \$5/\$10/\$25 should be \$5/\$15/\$25.

Alderman Lopez stated I think the other thing you maybe want to comment on and I don't know if you did or not but in reference percentage wise to what this means. On A-5 it is 16.3% which is under 18% that we projected if we negotiate something along that line. Do you agree with that, Ginny?

Ms. Lamberton replied we projected based on what we were told last December that our costs would go up 18%. We put it up to bid and the numbers came in significantly higher. Coincidental to that we go into the budget process and we go into negotiations with the different unions. In an effort to be creative and see if we can get close to the projected cost of 18%, we start asking the insurance companies to give us proposals if we change the co-pays. In this instance, it says that the projected increase in the budget for health insurance would go to 16.3% if everybody agreed to go to two-tier, \$15 visit payments, \$5/\$15/\$25 prescription payments and \$10 mail order prescription payments. I also asked them if we don't go to a two-tier system, which is not in this report, if we do not go to a two-tier

system and we just deal with the office visits going to \$15 and the prescription going up \$5/\$15/\$25 how would that reduce our projected costs and the answer to that question is 6%. That would still bring us back to 16.8% I believe versus the 18% projection. If we just agreed to the prescription and the office visits we would be in a lot better shape than we are with what we are looking at today.

Alderman Lopez stated right and this is just on the City side.

Ms. Lamberton replied right I am just talking about the City side.

Alderman Lopez asked would you explain about the combination between the Schools because there is a little confusion. I think there is a difference between contracts that run and we had some discussion on it and I think it would help benefit everyone.

Ms. Lamberton stated there are two different types of contracts we are talking about right now. We are talking about renewing contracts for health insurance and we are talking about renewing contracts with employees for their collective bargaining process. The majority of the employee contracts with the City expire June 30, which is coincidental to when our health insurance expires for all of the employees in the City and Schools. So the teachers and principals contracts with the City do not expire until July 1, 2003. Unless they are willing to negotiate or come in and have a side agreement or something and change their level of benefits we can't really consider them in the group right now. What we are trying to find out right now is what we can do with all of those contracts that are up for negotiations, which will impact on our insurance rate for July 1. Even though the teachers and principals' contracts are not up for renewal right now, they will see the impact on their paycheck in their co-pay. The contracts all agree on a percentage of what you are going to pay towards your premium so no matter what happens at this point, everybody's co-pays are going to be increased soon. We pay the month before. We start paying in June for the month of July. That is how that works. You have to distinguish the two.

Alderman Gatsas asked is there a particular reason why we didn't look at a \$125,000 specific, 115% aggregate with the PSO benefit changes. That would bring that percentage down obviously.

Mr. Nicholson answered we could certainly get that for you.

Alderman Gatsas stated that doesn't change the employees' number at all. It merely changes the City's exposure and could reduce the...is there any comparison here with Harrington or did we not do that study?

Mr. Nicholson replied we did not do that at this time.

Ms. Lamberton stated I did, though, go through their book. I talked to their representative quite a few times to see what their fees would be. As we talked about before, Harrington is not a bad idea. It is a good idea but there is really not enough time right now to go to Harrington for a couple of reasons. One is I went through all of the people that they currently have as providers in this area and compared that to the list of providers that Blue Choice and Matthew Thornton have. They have about 1/3 currently under contract of the same providers as Blue Choice has. They are willing to do that but in order to get more of the providers that we currently enjoy to come with them it takes time. They contract with another company to go after those providers and negotiate with them rates that we are willing to pay. It just can't be done between now and a month or so. As we said before, after we finish this we will start looking into that kind of an arrangement.

Alderman Gatsas asked what kind of timeframe did they give you, Ginny.

Ms. Lamberton answered I don't think she ever really answered my question directly but we talked about...I said to her if I gave you a list of providers to be effective July 1, 2003 would that be possible and the answer was absolutely yes. She said well we could start off now but it would take a considerable period of time because once again she is contracting with this other company who are going to be the people out in the field negotiating with these providers.

Alderman Gatsas stated I will leave the next question to Alderman Garrity because I think he asked it.

Alderman Garrity stated at the previous meeting, I think a week or two ago, it was the will of the Board to look into Harrington. I don't think it was the intent of the Board to just call them and see how long it was going to take.

Ms. Lamberton replied I did and I wrote up a brief sheet, which I am looking for right now. There is no question that the administrative fees would go down. They were not willing to quote me a stop-loss fee at this time...

Alderman Garrity interjected why not.

Ms. Lamberton stated because they want updated numbers and updated everything. They also want to know how serious we are. I say we are serious but it is just timelines. There wasn't enough time for me to give that to them to give it to their actuarials and go around full circle again. Yes, the administrative fees would be less. There is no question about that.

Alderman Garrity stated so currently what are we doing, still looking at them. Are we requesting numbers from them?

Ms. Lamberton replied we are a self-insured organization so we have fixed costs and unfixed costs. The claims are unfixed and we don't know what they are going to be. Our fixed costs are administrative fees and their projected total just for the administrative fees alone would be \$610,944/year. Those are the fixed costs that are right there, I can see them and it is in their proposal. However, they have other little fees that you start to get into and the little fees are well we charge \$4 per person to implement. Well, that is another \$5,500.92. We charge you for the employee i.d. cards and we charge you for the books. We charge you for a copy of the providers. So, I am under pressure to get health insurance for July 1 so I am focusing on what I know I can accomplish soon. I am going to focus on Harrington as soon as I am done with this to answer your question.

Alderman Garrity asked and they didn't give you a length of time that it is going to take to get the ball rolling to give you the final numbers for what it is going to cost the City.

Ms. Lamberton answered they gave us numbers.

Alderman Garrity stated it was like \$1 million wasn't it. Wasn't it over a \$1 million savings that Mr. Sharry told us last time estimated?

Ms. Lamberton replied I think it was in the original report, yes. It was a combination though.

Alderman Guinta asked, Ginny, when did they respond to the bid.

Ms. Lamberton answered they were all required to respond to the bid at the same time.

Alderman Guinta replied so it was six or eight weeks ago at least.

Ms. Lamberton responded no more than that. It was the beginning of March some time.

Alderman Guinta asked so since then, at the last meeting, what was the specific request that we had regarding Harrington. What was the specific request that the Board had?

Alderman Garrity stated the request was to direct City staff to look into the Harrington plan. That was the majority of the Board.

Alderman Guinta asked are you saying that we cannot utilize Harrington for this coming year.

Ms. Lamberton answered I would not advise you to do that at this time.

Alderman Guinta asked because.

Ms. Lamberton replied for transition purposes. You will just create or we will create all kinds of chaos and upset the employees, which I don't think we want. The obvious thing to me is there are 3,858 providers with Anthem Blue Cross which are also providers with Matthew Thornton and with HealthTrust. They are all the same. Now I count, literally I go through the books and count who is under contract with Harrington and I come up with 1,406 people. That means that whatever the difference is there, 2,400 people are not so how many of our employees are using the providers who are not currently under contract with Harrington. I don't know if you have ever transitioned from one insurance plan to another, but that can create all kinds of havoc. You need to have time to make sure that you have all of those right providers lined up.

Alderman Guinta stated so what you are saying is because of the fact that the transition of our City employees...theoretically if we chose Harrington the transition from Matthew Thornton or whatever plan the current employee is on, the transition from that plan to Harrington would be too hectic for that employee, therefore, you are recommending we not go with Harrington.

Ms. Lamberton replied today. I am saying that I think they are a really good idea. I think that we should take it very seriously. I think that we can save money in the long run but I also think that we ought to know that...like in the fall if that is what we are going to do and then give Harrington time to negotiate with all of these other providers to make sure it is a good transition so that when we do transition we don't have another battle on our hands of people being upset and maybe not having the providers they want. That could create an inordinate amount of chaos for people.

Chairman O'Neil stated the other thing we are working against is trying to settle contracts here. I don't think the employees would necessarily be opposed to Harrington but as part of this transition we will never reach an agreement close to the month of June if we go through that process.

Alderman Guinta asked for Harrington.

Chairman O'Neil answered for Harrington but if I recall Mr. Sharry when he was here indicated that it was in his experience that you could make those changes but there is an education process. You have to hold a number of trainings and forums on it where the employees get comfortable with it and then you make the move. You want it to be as smooth as possible. That is my recollection of what Jack said.

Ms. Lamberton stated LaRue, the woman I am working with from Harrington, I asked if she or the representatives from her company would be willing to come to New Hampshire starting in July to start meeting with us and our unions and our employees to discuss your services and timeframes. Absolutely, she said they would be happy to do that. So, it is in the cards it is just not in this hand.

Alderman Guinta stated if they are willing to...help me bridge the gap here. If they are willing to come up I still don't see...we are talking about a serious potential savings here so if they are willing to come up and I recognize that there are some transitional issues but if they are willing to come up and educate the City employees beginning in 45 to 60 days why wouldn't that be enough to allay some of your concerns regarding the transition?

Ms. Lamberton replied let's just say for the heck of it we say okay it is Harrington July 1. In their proposal, they give you timeframes on transition and the timeframes are at least three months in their RFP.

Alderman Guinta asked what types of transition are you talking about.

Ms. Lamberton answered transitioning from one insurance company to another insurance company.

Alderman Guinta asked they said it takes three months.

Ms. Lamberton replied that was their timeframe because there is a lot of record keeping and all kinds of things that are going on in the background that you don't see or feel. You get a new card and you are happy.

Alderman Guinta asked so that three-month period means that someone could effectively not have care for three months or it is an administration transition.

Ms. Lamberton answered it means if you are going to do it you want to do it right. You want to minimize any anxiety or chaos and you want the transition to be smooth. Now let's say July 1 you have...everybody has cards that are now sponsored by Harrington and an employee has a new baby and the new baby's pediatrician is not on the list. You are going to hear about that because we haven't had an opportunity to negotiate that that pediatrician can get on the list. That is what is going to happen. You are going to have all kinds of providers that are not on the list. The employees trust those providers and they want to go to those providers and maybe they won't get 100% of them but we will certainly make an effort to get as many of them as we possibly can.

Alderman Guinta asked is there any guarantee if we go with Harrington next year that they will start the process of increasing their number of providers before we sign a contract with them.

Ms. Lamberton answered in theory you would sign a contract with Anthem for this July 1 and then you would start the whole process again in July because you need more time, I have learned that, for next July. Theoretically, you would be all set.

Alderman Guinta asked so theoretically we would have a deal done by January or February and then the transition period begins in March and is concluded by June 1.

Ms. Lamberton answered yes you start educating and you start assuring people. You have the list of providers. You demonstrate that it is working.

Chairman O'Neil stated the other thing we need to keep in mind is we are asking the employees to make significant changes in the health insurance program. We need them to be comfortable. If they don't agree to settle, we stay with our current set-up and there is no savings to the City then.

Alderman Guinta replied I understand that but we are also asking the taxpayers at this point for a 12% tax hike. That needs to be in the balance here, I think, and I think we need to try to identify ways that may be...if it is possible to consider Harrington seriously for this year I think we have an obligation as a Board to consider that. I understand that there are transition issues. I recognize that. I know that depending on the type of transition you have and the type of company you have and from what I understand Harrington is a very reputable company. Transitions can be awful or they can be very smooth, time withstanding or not withstanding. The concern I guess I have is how do we maintain this balance between the 12% tax hike and the potential of saving \$1 million on the health cost side.

Alderman Osborne asked what did you come here with tonight. What have we got here? What have we got for savings with Blue Choice? The co-pays? What would that add up to in layman's language?

Mr. Nicholson answered I think David may have more on that.

Alderman Osborne asked what do you recommend this evening.

Mr. Nicholson answered we recommend staying with Anthem and working on trying to get benefit changes that would provide some savings. Ideally, Page A-5 and these like pages for the School and City and School together.

Alderman Osborne asked and the co-pays were what.

Mr. Nicholson answered it is shown on Page A-5.

Alderman Osborne asked and that is the only co-pay you came in with. What is it \$5/\$15/\$25 for prescriptions and a \$15 co-payment for office visits?

Mr. Nicholson answered yes.

Alderman Osborne asked so that is the only scenario you have, just those co-pays and nothing else.

Mr. Nicholson answered correct.

Alderman Osborne asked don't they give you a certain amount of...something else to work with like instead of \$15 maybe \$20 on office visits and \$10/\$25/\$35 on the other.

Mr. Nicholson answered we provided a lot of those scenarios on our first report in April. Did you get that?

Alderman Osborne asked has that changed at all.

Mr. Nicholson answered it would be slightly lower only because of the new revised rates but in general all of those scenarios from the April report would be pretty close.

Alderman Osborne asked those would all be put together with the new rates.

Mr. Nicholson answered we could do that.

Alderman Osborne stated it would be a little easier to have it in front of us here. There are too many figures and I am sure they are all in stone with the insurance company.

Alderman Smith stated I am looking on Page A-6 and the increase is quite substantial at 12.5%. Did you and I realize what you have done and I think it is a very good report but did you have any knowledge or did you compare things with our Chief Negotiator because most of these things the employees are going to have to give up something and I don't know if he has even had these figures and leeway to negotiate? Do you know where I am coming from? In other words it is a two-way street. Like Alderman Guinta said we are projecting a 12% tax increase and this is 12% that the employees are paying but I was just going over the costs and it runs anywhere from \$15 for a single to \$28 to \$38 and these employees will have to...this is not even talking about co-payments. Did you have any response from our Chief Negotiator and did you work with him on figures? We are at the deadline now. We have about 10 days.

Ms. Lamberton stated right from the beginning, once we knew the insurance was going to go up we started off by providing the unions with if the insurance went up 18% here is what the co-pay would be. Here is what your increase in the co-pay would be. We did 18%, 21%, 23% and 25%. We provided those numbers. Today I have the numbers based on the current level of benefits with the current projected costs without any changes. Anybody who wants them, they are right here and I would be happy to show them to you.

Alderman Smith asked so in other words our Chief Negotiator had those figures when he met with the unions relatively speaking.

Ms. Lamberton answered we did a handout literally. Actually, we did it twice.

Alderman Wihby stated I guess when I look at the rates for Matthew Thornton and how they have gone down, we have to start thinking differently in this City in order to make some changes. If we keep thinking the same way nothing is going to change. I know that with Matthew Thornton, for instance, the employees pay 5% compared to 12.5% but yet the rates are so much cheaper. If we said two things, one is from now on we are only going to offer Matthew Thornton to the new employees for instance that come on board and secondly we make...right now they are paying around \$147 for a single person on Blue Choice and if we said Matthew Thornton is going to be free to the employees we would still make a lot of money on the deal if everybody switches over from Blue Choice to Matthew Thornton. We would still save about \$2,500 per family and \$1,000 per single person so if they were switching over and we offered that for free...right now a family plan is looking to pay \$1,700 a year. The employee is looking at paying \$1,700 a year. We can almost make that free to them if they switch to Matthew Thornton and still end up with a big savings to the City if they did that.

Ms. Lamberton replied we did study that and we happen to have those numbers. Randy did that for us. We tried to look at all kinds of scenarios.

Alderman Wihby asked has anybody talked to the unions and said hey look if the employees don't want an extra \$400 to \$500 a year in expenses here is a good way of keeping it down.

Ms. Lamberton answered we suggested that everybody needs to think about transitioning to Matthew Thornton.

Alderman Wihby asked and where did we get, no where. There are some major savings, even if we gave it to them for free.

Ms. Lamberton answered we talked about that and part of David's discussions with you will include some different scenarios that we have been talking about.

Alderman Shea stated I think some people who have Matthew Thornton have what they call a gatekeeper. That is to say you go and you have a doctor who says look you can or cannot go to see a specialist or something like that. I am not quite sure if everyone would buy into that. There is a little difference between going...

Alderman Wihby interjected I am saying new employees would have to buy into it but old employees that we have we could give them an incentive of not paying anything for insurance if they go to Matthew Thornton compared to paying \$1,700 a year if they take Blue Choice and we would still have a major savings.

Alderman Shea stated some people have a certain physician under Blue Cross/Blue Shield or they feel comfortable about not having to go to what you call a gatekeeper to get permission to go to someone to check them out for any kind of problem and, therefore, I guess they are not willing to do that. I don't know. I have Matthew Thornton and I like it but maybe Ed Osborne has Blue Choice and he doesn't want to go to Matthew Thornton.

Alderman Wihby stated but if we made it an easier transition for them by knowing that they were going to save a lot more money by doing that rather than paying \$1,700 they are going to pay \$0 and the City still sees a \$2,500 savings per person maybe they would come over and switch. Again, it is a negotiated item.

Chairman O'Neil replied we will have an opportunity...the last item tonight will be discussions with the Chief Negotiator and I think he is here looking for some direction based on Ginny and the consultant coming in with the health insurance recommendation. David then is looking for some recommendations from the Board so we probably can save that conversation for our meeting with David. Ginny will still be here. I don't know if Mark has to leave or not. He might be able to stay for a little bit and other staff will be available.

Alderman DeVries stated my question is a follow-up to the discussion on Harrington. Is it possible to get an employee's manual from them so we can see how they handle such things as out-of-state medical coverage, not only for our employees when they might be traveling but retirees who live out-of-state and can't be attached to primary care here in town?

Ms. Lamberton replied actually that is one of the great parts about them that as long as they are administering it you can travel all over the United States. They have people all over the country and it is not that complicated. If there is nobody in the area there are phone calls that are made and it works out. That is a real positive with them based on my discussions with them.

Alderman DeVries asked is their employee's handbook generic enough that...

Ms. Lamberton interjected I have something but I will ask her if she will send me an employee handbook. Yes, I would be happy to.

Chairman O'Neil stated that would be good for everyone to take a look at.

Alderman Sysyn asked didn't we have a fight on our hands when we changed from Blue Cross Plan JW to Blue Choice. We had the same problem. We worked through it.

Chairman O'Neil stated it takes time to do a transition. It is not impossible but it does take some time to do. You are correct.

Alderman Gatsas asked can we go to Page A-7 for a second. I assume those are the numbers and if I look on the third chart down in the upper left hand corner those are revised and that is with the co-pay of the office visits increased along with the prescriptions.

Mr. Nicholson replied that is correct. Those reflect Page A-5.

Alderman Gatsas stated if I took a look at the number in the lower right hand corner, the total cost for that is \$11 million. Is that correct?

Mr. Nicholson replied yes.

Alderman Gatsas asked if I go to Page A-12 can you tell me why those numbers are different.

Mr. Nicholson answered A-12 is the Schools alone.

Alderman Gatsas asked where is the comparison on the percentage difference on A-7 the third one. What page is that on?

Mr. Nicholson answered that is actually broken down on Page A-5.

Alderman Gatsas asked so that number we should be looking at if we are going to look at a number of what the cost to an employee is. We should be looking at the chart that is in that figure versus what they are currently paying.

Mr. Nicholson answered that is correct.

Alderman Gatsas asked can you just give me what they are currently paying so I can put that next to this so I don't have to keep flipping.

Mr. Nicholson answered I would be glad to. The very top box on A-6 you could compare that to the bottom box on A-7. The top on A-6 is current.

Alderman Gatsas stated so back to Alderman Garrity's original question that I don't know he got an answer to but I will try it one more time, I believe this Board directed and maybe it was in negotiation session so we don't have anything on record but my belief is we requested that there would be some comparison to come back to us with Harrington and we don't have that.

Ms. Lamberton replied I do have that. I have a sheet; third party administrator Harrington, proposed administrative fees from Harrington may be broken down as follows. I have all of the fees that I am aware of that they would charge as base fees at this time. I told you how many providers they currently have versus how many providers we currently have and I have indicated to you the transition time and their inability to give us numbers. They can't give us the stop-loss in the amount of time that I wanted the stop-loss and unless I gave her an effective date she would not quote me a price. She said she needed an effective date.

Alderman Gatsas stated so if you are telling me that on a transition basis we are looking at a 90 day window, seeing that we have no contract and it is an unsigned contract that has been sitting there for the better part of a year that we could look at Harrington, look at the 90 day window and effectively use those if they could implement. Is that correct?

Ms. Lamberton replied I think anything is possible.

Alderman Gatsas stated I think that should be on the table because not having a concern with the contract that we have and obviously looking at the other company, which is HealthTrust, obviously the HealthTrust situation where they are looking at a two year deal or they have a non-compete then we can look at theirs even though it is no different because if we are truly looking to get into a position with Harrington then a two year contract whether we go back to Anthem is not an issue with HealthTrust. Not an issue because even though they have the non-compete for two years it wouldn't matter to us if we were legitimately looking at a savings with Harrington. If we aren't looking at that savings then it does matter that we don't look at the HealthTrust because it is a two-year contract that we can't go back to Anthem. I would say that once we are with Harrington and we are controlling our own destiny with health insurance because basically all we are doing...the hospital is sending a bill to an insurance company and the insurance company then sends that same bill back to us and we send the check to the insurance company and the insurance company then cuts the check to the hospital. That is the essence of the process that we go through. I think that some of the things, before we negotiate with anybody, is that we make sure we control the checkbook at this time so that the claims can be run and it is off of our checkbook so that we can look at the claims runs before the checks go out. Sometimes there is a 90-day lag in a bank cashing a check and we should have that control and it should not be the insurance company because there is no money that

they have at risk. It is all City money that is at risk and we should be controlling it. I think if we are truly looking at Harrington and this Board is looking to go down that road then we should be looking at it today so that we can implement it in 90 days, 120 days or we should truly look at HealthTrust because the two year deal doesn't make any difference to us if we are truly looking at the Harrington deal.

Alderman Wihby asked is HealthTrust apples to apples comparable when you are putting down the prices. You are saying that Anthem was less money than HealthTrust. Is it apples to apples that you are comparing?

Mr. Nicholson answered very close. There are some benefit changes on their prescription drug plan but in general on the medical side they are virtually identical.

Alderman Wihby stated at one time I know that HealthTrust was cheaper. What happened in negotiations? Did Anthem go down more than HealthTrust?

Mr. Nicholson replied no actually HealthTrust administrative cost is more. Their reinsurance premium was less but when you combine those two together Anthem was lower.

Alderman Wihby stated they told me that their administration cost was a lot cheaper than Anthem. Even the initial proposal wasn't cheaper?

Mr. Nicholson replied that is correct.

Ms. Lamberton stated during our negotiations with them, they keep bringing down the amount of money they anticipate will be paid out in claims. They may be right but they may be wrong. When we were in that situation Jack asked them how did you get to that number and essentially it was just that is the number so Jack said if you are confident in that number and that would reduce our costs will you guarantee that so if it exceeds it you pay not us and they said absolutely not. Those were the actuarial's words. You have to be concerned about that. Their administrative fees, if I remember correctly, were \$500,000 or \$600,000 more than Anthem's. Now, there is good news. They provide some other services that Anthem does not provide but when it is all done do those services equate to \$600,000 and the answer is no.

Alderman Lopez asked Ginny could you go through this document one more time and tell me the administrative fee between Anthem and Harrington and some of the other concerns that you had. I would like to echo Alderman O'Neil's concerns. When we said to look at Harrington I think the HR Director did look at it and this is her result. I also remember Jack saying that it is a process and something that we should look at. To upset the apple cart for X number of dollars if there is a

major savings here I think that we should be very cautious in going down that road so fast. Ginny, could you explain this a little bit better?

Ms. Lamberton replied sure. First of all, these numbers just represent the City and not the Schools. These are the fees that they proposed in their response to the RFP. On the top in dark letters underscored it says PEPM. That means per employee, per month. That whole column, every one of those numbers is per employee, per month. The number we are using is 1,398 people because that includes our active employees as well as our retired employees who are not at age 65 yet and they are on the Medicomp Plan.

Alderman Gatsas asked so it is not per employee, it is per life covered.

Ms. Lamberton answered no. This is actually per certificate or subscriber. Each month for each certificate we would pay for each employee \$10.95. That bills out to \$15,308/month. Then COBRA/HIPPA is a combination of...the COBRA is when an employee leaves us we have so many days to notify them that they can continue to participate in the health insurance plan for 18 months after they leave. That bills them and it sets all of that up. That \$1.50 equals \$.50/employee whether or not they are leaving. We are paying a fee every month to have that service. The HIPPA ones have to do with confidentiality and a whole bunch of other things. That is \$1/month per employee. The next thing is prescriptions. Based on what we got from Anthem, we paid for 84,539 prescriptions to be filled last year. They charge through I believe it is MERC/MEDCO, they sub-contract that out for \$.25/prescription. \$.25 times 84,000 is \$21,135. Then preferred provider network. We have to pay because they are leasing providers through a company called Preferred Provider Network. That is the people who would go out and try and get more providers than our employees currently have to be in our list of providers. We would pay \$6/month per employee for that service. The next one is utilization review or utilization management. I don't know if you are familiar with that where it is reviewed as to whether or not the appropriate course of treatment was provided, the length of stay in the hospital, whether or not there was a need to be in the hospital. That is utilization review. There is a company that does that and that is \$2.85/month per employee. So, every month those numbers would add up to \$50,912. You multiply that by 12 months and you come to the \$610,944. That is for the administrative fixed cost based on these current numbers. The next one is the employee implementation fee. It is \$4 times 1,398 people. I forgot to ask her if that is an ongoing thing. I suspect it is just to implement from one insurance to them. Then the current Anthem providers versus Harrington providers. Again, I didn't bring the whole book with me but there are all kinds of other fees that they have because remember they are administering it, like \$1/card, whatever the handbooks cost. It is the cost of the book plus 10%. A lot of the stuff they offer is the cost of it plus 10%, which we would be obligated to pay.

Mr. Nicholson stated I am not exactly sure this is apples to apples but that \$610,944 could compare to Page A-2 where the administrative cost for the City is for Anthem of \$721,000.

Alderman Lopez stated just to follow-up on that, some of the additional fees that Ginny is mentioning is not in here. That is what Jack is saying. Those have to be negotiated and maybe we will get a better deal in the end if we work with them. If you have to add \$50,000 to get all the other little perks from these people then your savings from \$721,000 is really not \$100,000 but you are going to be saving \$50,000. If you do the negotiation and work with the consultant, I think in the end that we might be and I am not saying...Harrington might be the best way to go in the world, I don't know and I don't think anybody really knows at this stage of the game until you get down to the numbers. The thing is do we upset the apple cart for maybe a potential savings on administrative costs of \$50,000 to an unknown. That is all I am saying.

Alderman Guinta stated first of all Harrington is located in Massachusetts, correct.

Ms. Lamberton replied actually they are in the mid West. They are all over the country. The people I was speaking to are in Florida actually.

Alderman Guinta asked utilization management is that a requirement. Is that a State requirement for NH?

Ms. Lamberton replied I don't know the answer to that question but it is something that you want to have. All insurance companies have that. It is kind of the gatekeeper.

Alderman Guinta responded I know what it is. I just wanted to know if it was a State requirement.

Ms. Lamberton replied I don't know the answer to that question.

Alderman Gatsas stated no.

Alderman Guinta stated comparing this sheet to Page A-5, can you just go through with me briefly a comparison of the administration fees. I want to be clear on the numbers because they don't seem to me to add up to the cost savings we were talking about in other meetings. For Harrington I understand the \$610,944. On Page A-5 are we talking about the two numbers, \$458,000 and \$474,000?

Mr. Nicholson replied no it would be reading it across. \$458,000 and \$262,000.

Alderman Guinta asked for a total of \$721,000.

Mr. Nicholson answered right.

Alderman Guinta asked so that is the administration cost.

Mr. Nicholson answered yes for Anthem.

Alderman Guinta asked does that include the non-employees who are under 65 and on the Medicomp.

Ms. Lamberton answered they are not on Medicomp. They are part of our self-insured plan at this point.

Alderman Guinta asked but the numbers on Page A-5 include those people. Are we basing it...is this 1,398 on Page A-5. How many people does that represent?

Alderman Gatsas stated 885.

Mr. Nicholson stated plus the 448 on Matthew Thornton. If you add those two.

Alderman Guinta stated it comes to 1,333. Does this include...this doesn't include any COBRA?

Ms. Lamberton replied no it doesn't. We have a separate contract for COBRA right now.

Alderman Guinta asked how much is that.

Ms. Lamberton answered I think it is \$6,000 or \$7,000.

Alderman Guinta asked are you telling me the savings is the difference between \$721,000 and \$610,000. That is it?

Mr. Nicholson answered that is what it looks like on an administrative apples to apples basis. I don't know how they would save on the claims side. I assume there would be some savings there but I haven't looked at that thoroughly.

Alderman Guinta asked do you have that information.

Ms. Lamberton stated let me answer that question in a general sense.

Alderman Guinta stated I guess what I am trying to get at is I don't know if we as a Board have all of the information that had been requested so we can make an informed decision. Correct me if I am wrong, Alderman Garrity but was the expectation for this Board to receive a comparison between Harrington, not only just claims but administration.

Alderman Garrity replied that was my understanding.

Alderman Shea stated it was just administration.

Alderman Guinta stated when we were talking three weeks ago we were talking about roughly \$1 million savings. This is like \$100,000. Where is the other \$900,000?

Ms. Lamberton replied if I understood what you had wanted, I would have provided you the information. My understanding was just look into it and get back to us. As a matter of fact, I kind of thought or what I heard was we will look at it for a year from now. When we were talking about saving more money than this, we are also talking about maybe not having Harrington administer the prescriptions. To be very aggressive in that area too and to put that out under another contract. You see what I mean? Start carving it out and carving it out so that we keep getting the best value for every dollar we spend.

Alderman Guinta asked and those savings totaled somewhere in the vicinity of \$1 million.

Ms. Lamberton answered I didn't develop that number.

Alderman Guinta stated I am trying to remember where that number came from.

Ms. Lamberton replied I think that was part of the cover letter in the very first report. I am not sure to be honest with you. I think the first report that was provided to this Board said there is a lot of potential to save money but you have very short timeframes in order to be successful at that. So, let's look at what we can do with what are knowns and move forward in the meantime. As of the beginning of July let's start working on all of these...you know carving things out and looking at a different way to manage our healthcare.

Alderman Guinta stated it seems to me that if we want to consider Harrington we need to make a decision now whether we want to seriously consider it for this year. I know it can be done. I know that your thought is that you don't want to do it but technically it can be done and if we want to go down that road we need a full comparison I would think so that we can make a very clear and informed decision if we want to go down that road. We would need to make that decision shortly.

Chairman O'Neil stated again I am only stating my opinion but if you decide to do that you are never going to settle negotiations. There will be an increase to both the City and the employee but we will not be able to implement the changes in office visits and prescriptions until we have agreements with the employees.

Ms. Lamberton stated and that comes out of our biggest bundle of money, our claims money. The proposed 6% reduction out of our bundle of money comes from shifting the financial payments from the City's pot to the employee's pocketbook. That is really what we are talking about here and the employees know that. They are an intelligent group of people. Are they willing to do that? Gee, I hope so. We will find out soon. I just think if we create more chaos on that, on what we are doing with the health insurance, we are never going to get there. I would rather get there and have everybody agree that we need to all be responsible here and then the next day say okay now who are we going to have administer our health insurance. Now that we all agree on what level of insurance we are going to have, who is going to administer it for us?

Chairman O'Neil stated I pulled out the original report that Mark and Jack wrote. I won't read the whole thing and I don't see the \$1 million but the very last sentence is there were three respondents – Palm Co, Core Source and Harrington Benefit Services and their last line says of the three respondents the Harrington Benefit Service proposal appears to be worth future consideration. Our consultant is recommending it. I think this is just a timing issue.

Alderman Guinta stated I understand that it is a timing issue. I think maybe this Board...unless I am mistaken I was under the impression that we were looking for some comparison numbers for this year.

Chairman O'Neil stated I thought Ginny was directed to talk to them. I don't remember that the consultant was asked to crunch all of the numbers, though. I don't remember that.

Alderman Guinta replied I think we asked Ginny to talk to them. Did we ask Ginny to talk to them and report back to us or just to talk to them?

Chairman O'Neil responded that is what she is doing, isn't she.

Ms. Lamberton stated I did what I thought you asked me to do.

Chairman O'Neil stated she might have had 15 different directives that night.

Alderman Guinta stated I remember when I left that night I was expecting to have something concrete in our hands regarding Harrington. That is the way I remember it. I could be wrong, but that is the way I remembered it.

Alderman DeVries stated I have a couple of questions but to reply to Alderman Guinta, I think what she is saying is that unless we are giving Harrington an effective date they are not willing to talk any numbers or get us back some of the information you are looking for. I think she did attempt to fulfill the request of the Board.

Alderman Guinta replied I am not faulting Ginny. I want to be clear about that. I am not faulting you for anything so if I am giving you that impression or somebody else, that is not the impression I am trying to leave. I think the impression I am trying to leave is what I thought our expectation was as a Board in terms of some hard numbers. I was under the impression when we directed Ginny to look into this that...I guess I expected something a little more concrete for our...so we can have a full review to be able to make an informed decision.

Alderman DeVries stated there are a couple of different items that I would like to cover before we lose you, Ginny. When you gave us a presentation and we were talking about some of the benefit changes, you had indicated that without the two tier adjustment to the benefits there was a 6% reduction from the original proposal if I heard you correctly?

Ms. Lamberton replied if you go to the most recent one which is a 22.8% increase and I am dealing with percentages now and not dollars, if we just changed the office visit co-pay from \$5 to \$15 and the co-pay for the prescriptions, that would equate to 6%. Our projected expenses would go from 22.8% to 16.8%.

Alderman DeVries stated I just wanted to make sure that I had that correct. Randy, you are up there for a reason. We had started in to a conversation about Matthew Thornton and some potential savings on a plan that we already have negotiated with the groups and I would like to hear a little bit more about some of the incentives and a way we might work Matthew Thornton.

Ms. Lamberton replied what we tried to do was say what if...all of these what if's. what if we could say everybody is going to be covered by Matthew Thornton from now on. How much would that save? So, Randy calculated the numbers on how much that would save. What if we could get 50% of the people that aren't covered...we have 2:1. Two Blue Choice to one Matthew Thornton plan so if we could get 50% of the 60% to go to Matthew Thornton how much would that save? That is all we were trying to do was come up with different scenarios. We talked about all new employees from now on would have to go to Matthew Thornton rather than the fancy Blue Choice.

Alderman DeVries asked Randy could you explain your chart a little bit.

Mr. Sherman stated I may not have had the final numbers so this may not match up with what Mark has here but what I will do is focus on those few little numbers off to the right there. What I did is exactly what Alderman Wihby was saying. If you do away with the co-pay on Matthew Thornton how much can you save by getting people to move? What will it take to get those people to move? Again, if you focus just on those numbers on the right, there is a break even point because you have a certain number of employees that are paying a co-pay on Matthew

Thornton now that if you eliminate the co-pay you have to make-up for that contribution before you start to see any real savings. If you look at the next to the last column on the right, the second set of numbers where it says the break even switch, you would need 299 single coverage employees to switch before you started saving money on the singles and that is something like 43% of those that are on Blue Choice single would have to switch. If you get down to the two person, you would need 238 and if you get down to the family plan you would actually need 529 to switch before you start making money on that group of individuals. That 529 people is almost 70% so that is a hefty group that you would have to get to switch before you even started making \$1. Now if less people than that switch, you are actually losing money because you are giving it to the people that are already on Matthew Thornton. Now the column on the right, if you look at the top, there is a potential savings there of \$451,000 if you can get everybody to switch. Now if you can get half of them to switch obviously you would save half of that amount of money. The numbers are pretty high. Even the 43% I think is a pretty high number. If you look where I have up top where it says "all" and right below that line the next to the last column over is the co-pay. If you look at that co-pay, a single person is paying \$45.47 for the co-pay. You drop down to that next group, which is the Matthew Thornton, and the co-pay is only \$10.85/month. There is already an incentive for people to switch and they are not doing it. To think that we are going to get 70% or 43% or 50% to switch I just don't think is going to happen. I think that is an incentive that might be a good idea and maybe you can try to grandfather these people in and as Ginny said maybe new employees coming in you can put them on Matthew Thornton but I don't think that playing around with these co-pays and trying to force them...I just don't think you are going to save anything.

Alderman DeVries asked, Ginny, in your sense of the Harrington plan is it similar to Matthew Thornton.

Ms. Lamberton answered no. You give them the plan you want.

Alderman DeVries asked so it is customized.

Ms. Lamberton stated you hand them Blue Choice or whatever it is you want and that is how they make their payments.

Alderman Osborne asked co-pays are not the answer, is that what you said.

Ms. Lamberton asked co-pays for the premium. Co-pays for the premium...it is an answer. It shifts the cost a little bit but it appears to us that the biggest impact for reducing our projected cost is on the prescription co-pays and the office visit co-pays.

Alderman Osborne asked so what if we get together...I guess everybody has to face a little reality here. Insurance is going up and we aren't going to stop that so we can talk here all night but it is still going to go up. What if we have \$100 deductible across the board or come in with something like that just to view it. I want to see what the difference in the costs are.

Ms. Lamberton asked \$100 deductible for what.

Alderman Osborne replied across the Board. \$100 deductible period.

Ms. Lamberton asked the employee pays the first \$100 for everything.

Alderman Osborne answered exactly. That is not a lot of money. You can go \$100, \$200 and \$500. They can work those out. That is where all of your money is being spent. Some people go to the doctor's twice a week and some don't go at all. That is the whole thing. This kind of deters them unless they really have to go.

Chairman O'Neil stated we can ask them to take a look at that.

Alderman Osborne replied we have to face this because this is the story today. We can smile all we want but we are going to have to do something. You just can't stay with the best all the time. It just can't be done. Could you get those numbers for me, Mark?

Mr. Nicholson responded yes.

Alderman Forest stated I think we have been working on this for two hours and I think we are just going around in circles. We are not getting all of the answers we want. Can I make a motion that we have staff come up with the numbers we want on both of these plans or all of these plans and then have another meeting on it again?

Chairman O'Neil replied I think what he is trying to say is let's bring some closure to this tonight.

Alderman Lopez stated I believe all of the numbers are here and the staff and the consultant that we paid and the insurance committee has been given all of the information that we have so we can make some concrete decisions once we get into executive session and talk to our negotiator. He has been meeting with the unions. He has to come back and tell us exactly what he has presented and we have to make some decisions along that line. I think in reference to Alderman Garrity and a couple of other Aldermen's questions about Harrington, I believe that it should be worked out with the consultant and the HR Director as we move along but to get involved with that now for the amount of savings that we are

going to have it is not reasonable to push this thing to the forefront right now. With all due respect to the Alderman from Ward 12, I think we have the numbers and for the staff to come back...it is just like Randy. Randy made his numbers on the previous proposal. He doesn't have the revised numbers so you are not going to save the type of money that he is indicating and it is unrealistic to believe that 43%, 50% or 25% are going to go to Matthew Thornton. Some people will switch over because they will save some money but you are not going to get that high percentage because believe me in dealing with and listening to the insurance committee, their recommendation is Blue Cross/Blue Shield. We take the whole package right now and move forward with it and give some guidance to the negotiator so that we can move on here.

Alderman Forest moved to enter into non-public session with the Chief Negotiator.

Chairman O'Neil stated after we finish up with the health benefits group we need to meet with Mr. Ntapalis. He was asked to come in and talk about our Risk numbers. You can take a look at those and ask some questions and maybe follow-up with Harry in the next few days and then we could go into our negotiation strategy session. I have three Aldermen who have asked to speak.

Alderman Shea stated I want to second what Alderman Lopez just said. We can kick this around until hell freezes over but the point of the matter is that we have to be realistic. We only have about four weeks. It is best...you know a bird in the hand is worth two in the bush. We are going to be flying around trying to shoot two birds when we should be getting the bird in the hand. I say for all of the discussion tonight and for everything it isn't worth \$50,000 or whatever the case may be. Let's put Harrington to bed for now in my judgement and let's decide to follow the advice of the people that we have hired. That is what I say.

Alderman Smith stated I echo my two colleagues to my left. I would just like to say that I think it was a very good presentation. I think we are Johnny Come Lately on the Harrington situation. I think that we have to move on because we have 17 contracts. I don't know what the tax rate is going to be but I know that we will be getting calls very soon and we have to act immediately. I welcome your presentation tonight but I would like to go on and move on with our negotiation session and with Risk Management.

Alderman Garrity stated with the advice of the consultant may I make a motion at this time, Mr. Chairman. I would like to move to direct City staff to start looking at Harrington's complete numbers beginning July 1 with a report due to this Board on January 1, 2003. Is six months going to do it?

Ms. Lamberton replied I am sure we would have the numbers before that.

Alderman Shea duly seconded the motion.

Chairman O'Neil called for a vote on the motion. There being none opposed, the motion carried.

Chairman O'Neil thanked Ginny, Randy and Mark for their time.

Chairman O'Neil called a five-minute recess.

Chairman O'Neil called the meeting back to order.

Chairman O'Neil called the Risk Manager forward to discuss numbers.

Mayor Baines stated before you begin if you could just give me a moment of personal privilege here. First of all, I am enjoying just being able to wander around during these meetings. I sort of like this. I thought it was important...I want to first of all remind the Finance Committee that time is running out. We have to get the budget passed to lay over on June 4. Am I right, Carol?

Deputy Clerk Johnson replied June 5.

Mayor Baines stated and then it can be amended any time up through June 11 I believe.

Deputy Clerk Johnson replied June 11 is the last day.

Mayor Baines stated you also have reports from all of the various departments that have indicated the impact of the percentage cuts that you asked for. I think a lot of them are looking for an opportunity to come in and speak to you about that so you can learn first hand and hear from them exactly how serious the situation is. I just want to... Wayne Robinson, this is a draft and is not 100% accurate on the numbers, especially bag and tag and retirement but just so you understand where the tax rate is right now and if, for example, you wanted to get the tax rate down to an approximately 9% increase you would have to cut about \$1.2 million out of all the budgets total. Again, that does not include the impact of bag and tag and retirement so we are going to have to recalculate that with those out of there. For 8% you would have to cut \$2.5 million. For 7%, \$3.8 million. I have heard some people talk about 5%. You would have to cut \$6.3 million out of the budget. All the way down to 2% you would have to cut \$10 million out of your budget. Just so you understand the real dollars we are talking about here. I think this might be helpful to all of us as we continue our deliberations. I think it is very important to start making some decisions. Also, if the impact is going to involve personnel and the Board is so inclined to do something of that nature, I think it is imperative to start making some decisions because in that instance we are impacting the lives of

individuals. I think we don't want to do that at the last minute and I would encourage this Committee to become very diligent because time is running out.

Alderman Wihby asked, your Honor, a 5% cut let's say if you wanted a 5% tax increase you would have to cut \$6.3 million plus the \$900,000 plus the \$400,000 so it is \$7.6 million total budget would give you a 5% tax increase.

Mayor Baines answered that is correct. Now you will have an understanding of how severe these cuts have to be and basically you would be talking in some cases a decimation of services in the City. So, we have some tough decisions to make I understand but this is the reality of the situation.

Alderman Garrity stated if I go down to the 5%, the \$6.3 million does that include School.

Mayor Baines replied this is all of the Mayor's budget and includes School and City.

Alderman Shea stated but does not include any increase in revenues though does it.

Mayor Baines replied that is correct and that is a good point to make. I am glad you brought that up. As we get down to the end we need to fine-tune our revenues and get all of the people in here to look at revenues again and get an update on all of the different revenue sources to see if there can be some adjustment.

Alderman Shea asked what about the assessments.

Mayor Baines answered right now the Assessors in the last conversation I had with them, they are still hanging to that \$20 to \$25 million. There are a lot of issues out there with abatements you know as a result of revaluation and I am not certain we are going to get much movement on that. Again, that is the type of thing we need to start focusing in on and fine-tuning where you are going to be in terms of any projected cuts and also where we are going to be with revenues. Also, it is important to keep in mind because the press does account for whatever we do in here that even in June when we set the budget we are still not setting the tax rate because one of the things we are going to have to do in these volatile times over the first quarter and we have talked about this with the Finance Officer because we meet almost daily on these issues, we are going to have to be monitoring what is happening with revenues and hopefully we are going to see an upswing here. We have to be somewhat cautious. We have to be somewhat forward thinking in terms of how we proceed from here on but time is running out.

Alderman Shea asked how about the difference in the projected expense for insurance or prescription drugs and so forth.

Mayor Baines answered that is a very good point and some of the discussions you have had going on here have been around that. We are going to be getting some updates on our April numbers shortly and we are going to be able to come back to the Board and find out what the actual expenses have been this fiscal year and look at trends over the last two or three years to determine exactly what that line item should be for health insurance coverage. So, we will be getting an update on that as well.

Alderman Wihby asked regarding the retirement and administrative consolidation, could we have a report soon for that, too.

Mayor Baines answered I believe that Mr. Clougherty and Ms. Lamberton are prepared to come in and at least talk about early retirements. We have done some analysis of it. We are a little bit less optimistic about early retirements but I think there are some things the Board should hear and also the we have been working with the Finance Office over the past couple of months to try to fine-tune figures. They are prepared to come in and present to the Board some potential cost savings in terms of consolidation of financial services as well, which would require some tough decisions. So again I encourage the Finance Committee to schedule that as soon as possible as well.

Alderman Lopez asked for clarification are these numbers based on your bag and tag.

Mayor Baines answered they are based with the bag and tag in there.

Alderman Lopez asked can we get the numbers without the bag and tag.

Mayor Baines answered yes we are going to revise them without that. Just as an aside note, Mr. Clougherty gave me a web report about Worcester. Right now Worcester is increasing their bag cost from \$.50 to \$1.00. They are already at 27% recycling. The reason they went from \$.50 to \$1.00 was to increase the percentage of recycling. I think we are only at 7% here in Manchester. I realize that people are inclined not to go forward with that but again 10% increases in recycling accounts to savings, true savings out of your budget of approximately \$300,000 for every 10% we can get this community to recycle. So, long term we are going to have to figure out a way to do that.

Mr. Robinson stated for Alderman Lopez's benefit, as Alderman Wihby stated if you just add the bag and tag and the retirement number to the bottom line you will come up with the number to be cut.

Mr. Ntapalis stated I understand you are all in a time crunch so tonight you have asked me to come here and out of respect for everyone in the Chambers I will try

to be as brief as I can. I believe the City Clerk handed you each a package earlier this evening. All it is is a concise summary. I tried to simplify a lot of insurance statistics in very short order. It gets into a lot of details and everything you have in front of you at least gives you a display of what has happened in property and casualty insurance, particularly worker's compensation, for the last decade or better. I would like to start with Page 1. I would just like to go through it. It probably won't take me longer than five or ten minutes and then I would certainly be open for any and all questions. The first page that you see, the budget forecast for FY2003 and FY2004, I did it two years but the FY2003 column obviously is what we are concentrating on. It reflects an increase of approximately 5% over and above the worker's compensation requisition that I submitted last year to the budget committee. Technically the one thing that you all should be aware of is when you produce a budget for worker's compensation you are really working off that bottom line and as most of you know in the City of Manchester we are responsible for worker's compensation not only for the City side of the operating budget, but obviously all of the Enterprise departments such as Airport, the utilities, etc. and the School District. That is why you see a sub-total amount which shows you all of the breakdowns and those breakdowns technically...I know there are some questions that the Board has raised in previous meetings but they are actually prorations by department and they are based on two specific items. What we can best gauge early on, 12 months in advance of what some of those departments may need and their payroll. Usually when you do a breakdown it is strictly on payroll but where we are self-insured we are able to have that latitude and flexibility. The grand total reflects dollars and cents for a full composite picture of the entire City including those that we chargeback during the course of the year, obviously the Enterprise departments and School. As you see, those are the bottom line numbers. The second page in the summary and I know every year you folks do ask what the revenue picture is if you want to call them revenues and this is strictly for the administrative service side of things, the lion's share of what we do in casualty and worker's compensation as most of you know is strictly self-funded. We utilize the services of a third party claims administrator. By law, we have to utilize actuarial services and there are other incidental items that go into there. What we do on that end, however, is we chargeback on an annual basis each of the Enterprise departments as well as the School District and I must add they all pay very faithfully and it breaks it down to the last decade or so for worker's compensation. When you see CGL many times it is confusing to a lot of folks but that is just our Comprehensive General Liability, which is inclusive of everything – general liability coverage, it covers automobile insurance for our fleet, public official's coverage and so forth. So, we self-fund all of that and those are the revenues that we receive on an annual basis. If you look at Page 3, I ran some numbers for you to show you where we are tracking on any given year. In other words, the value for a particular year-end and it starts in 1990 and runs through year end 2001 and that would be December 31. It will give you a sense of what we generate in the area of new claims costs, lawsuits or whatever may come up during the course of any of those years. You

can see that even though some of the claims counts may have climbed in the area of worker's compensation, which are medicals only and right now we are very careful to make sure that if there are injuries that we don't fall behind as an employer to make sure that we process them and send them to the Department of Labor and do everything in compliance with our statutory obligations. However, what you will see is the costs have been coming down, even with the price of treatments and the price of medical services. As we have all seen with the previous presentation, that has been going up so those numbers have been coming down significantly. When you look at the general liability and the auto. I broke them out for you so that CGL will be spelled out. You can almost see the years where there will go peaks and crannies and most of them have to do with weather in the region we are in. If you have severe winter and severe icing for example, you are going to have more problems. You will have accidents involving our fleet, which numbers well over 450 vehicles or you are going to have individuals who get hurt at our facilities and we are trying to work in earnest to minimize those types of occurrences and reduce those risks. That is what we have on Page 3. On Page 4 it is exclusively worker's compensation, which is pretty much near and dear to most of you how we are tracking since we have been self-insured. We started...the inception date if you look up top on the left-hand column, was back in 1977. We have been self-insured ever since that period of time and the way the market and the reinsurance market is going right now actuaries and consultants have always told us we are very lucky to be in that category given the circumstances of people trying to buy commercial insurance at this juncture after the market has hardened and after the events of September 11. As you will notice we had initially some peak periods. We had been tracking probably a little over \$1 million and I will get into that a little bit further as we go into the report but since that period of time it gives you a breakdown of our total claims paid, both medical and indemnity. The indemnity column means lost time from work when an injury takes place and people are being paid and they are out of work and they are being paid at the rate that currently the State...it is 60% of your gross salary. You have the medical expenses in the column right next to that telling you what we generate in the way of medical payments in any of those given one-year periods. The expense end is all other. If you are dealing with some legal costs associated with hearings or appeals or if you are dealing with surveillance as we do in some instances and some other minor costs. Then you have the outstanding reserves in any given year. Now this means claims you have established that remain open because there is still some activity in them. We reserve a certain amount of dollars and cents and if you total your expense with the reserves, that gives you your total incurred and that is the very last column on your far right. That is produced by our third party claims administrator per contract. I did put a copy of our last filing in there to give you all an idea of what the total expenses are for the old claims as well as any new claims that have been generated in a particular year. We did come down roughly \$20,000 last year. It was about \$1.618 or \$1.619 million year ending and that is calendar year ending 2000. Last year we were about \$1.6 million. That takes into consideration settlements that we

have made and obviously permanency awards that we were responsible for making in the area of worker's compensation, hospitalization, medical payments, physical therapy, medications and lost time. So, there is quite a bit that goes into that picture and bear in mind that is for a workforce that probably some 3,000 W-2's are filed in the course of a year. That is a major workforce and you are looking at probably total salaries right now of roughly \$116 million. So, when you look at the \$1.6 million figure bumped up against that kind of a salary figure, you are dealing with a percent of 1.4% or 1.37%, which is probably one of the better loss ratios in most municipal self-insured programs in New England. You go to the next page and you will see, well actually the next two pages and I put an asterisk next to the first paragraph just to draw your attention. The actuarials that we have to do each year to comply with the law as a self-insured...this discloses what they recommend on an annual basis and this is the most recent worker's compensation actuarial recommendation of what we should be reserving in the budget. It has come down significantly. I want to say probably when I took over as Risk Manager nearly 10 years ago the reserves were roughly recommended at \$7.75 million. About five years ago it was in the vicinity of \$5 to \$5.5 million. Now it has dwindled down to \$3.6 million. If you bump that up against our earlier page that dealt with the budget it is a higher recommendation than the conservative budget that I put through to you. Because we do have a lot of confidence in the program that we have in place, we have a reinsurance mechanism that is in place for excess coverage and I take real pride in the team of individuals that I work with, starting with the employees in the departments as well as all of my colleagues that work in a coordinated effort in containing the worker's compensation costs and severity of the claims. You go to the next page, which is 7 and you are looking at basically the same scenario, the actuarial study, the most recent. They break it down. They are really recommending roughly \$250,000 for reserves on automobile and \$1.1 million in general liability. If you combine them and you look at the bottom line for CGL on the budget that I forecast, it was in the vicinity of \$1.3 million or should be if memory serves me correctly. That is an area that is kind of important to maintain. It is low. I am very close to what their recommended reserve amounts ought to be and given the climate of what has happened as I mentioned early on with a very hard market and the bulletins we are receiving through e-mail and all of our trade magazines constantly, probably for the last six months, it is recommended that that is a prudent level to keep it at and certainly don't try to reduce it. That is basically it. I promised to take about 10 minutes and I hope I have lived up to it. If there are any questions, I would be delighted to respond to them.

Alderman Smith asked under the budget I received, under City Solicitor's Office Risk Management I can't read the number but I notice there is a percentage increase from the various years to this year of 153%. This is in the Mayor's budget that was sent to us.

Mr. Ntapalis replied I don't have a copy of that in front of me. I am just looking at the numbers I provided for that budget and I am looking at City Solicitors and I am presuming you are looking at FY2003...

Alderman Smith interjected yes and the difference from the year previous.

Mr. Ntapalis stated I have \$5,637 for worker's compensation compared to \$5,369 in the previous year.

Alderman Smith stated we will get you a copy so we can work off the same sheet. I highlighted it in pink.

Mr. Ntapalis stated what that is is a reserve amount above and beyond...in other words when you see the dollars broken down into the various departments, those were place holders for what we anticipate possibly some of the expenses might be going forward into 12 months. However, the dollars that you see infused in the risk management line was something that this Board had done last year. I believe they popped about \$250,000 above and beyond what I used to ask for in risk management for worker's compensation and an equal amount for the general liability. That is the reason. Say Frank Thomas, for example, we made an allocation to him and it was short by \$100,000 because you don't know what might happen in the course of a large department. Frank then has the ability to come back and tap into that reserve so we are not coming back with hat in hand for our contingency fund or any other type of fund. We have that money there as a reserve amount and it is placed in risk.

Alderman Forest asked on Page 1, the numbers that are in the columns for worker's compensation and the CGL, are these amounts of money that were spent for worker's compensation or are in reserve for worker's compensation.

Mr. Ntapalis answered those are dollars that we anticipate we might use. Again, it is part trending and part what the salaries...in other words you will see smaller departments obviously with a lower place holder as opposed to the emergency departments or the labor intense departments.

Alderman Forest stated I have noticed that adding the Fire Department and the Police Department almost equals what the School Department is. Is there a reason for that? I know that Fire and Police are fairly high-risk jobs.

Mr. Ntapalis replied yes they are high-risk jobs and there are substantial payrolls involved there. A lot of our trending information tells us that they are among the top five departments that are generating claims activity and generally they can tend to be sometimes the more severe claims with orthopedic problems and in some instances cardiac problems, etc. School by the nature of the beast...most of it is more clerically inclined. That is more the reason why those two departments,

as well as Highway tends to show a high amount comparatively speaking to half of the City's salary budget, which School contains.

Chairman O'Neil thanked Harry for his presentation. I have been asked to point out that on May 30 residents should start to see their tax bills in their mailboxes.

Alderman Thibault asked, Harry, how many people are in the School Department.

Mr. Ntapalis answered the salary budget for School is roughly \$62 million. We were stacking it up against worker's compensation needs that we had for application.

Alderman Thibault asked Police and Fire would be what.

Mr. Ntapalis answered you are probably looking at a complement of 230 or 240 per each department. School you are probably looking at 1,400 individuals. We cover the Federal programs as well so there is really nothing that we miss. Those entitlements for worker's compensation under statute provide that we take care of Federal employees and when we had the work fair program with Welfare and volunteers...they are covered by the worker's compensation statute if they are delivering a service to us.

Deputy Clerk Johnson stated I guess there are two items that I would like to bring forward to the Board. One is that you had the discussion on the health benefits but there was no physical action in terms of doing something or moving forward or making a recommendation to the full Board. This is the Finance Committee and not the full Board. I think there was an indication that they would like to see an action by the Finance Committee to recommend to the Board to accept the recommendation of the consultant in choosing a healthcare provider for the City. Also, I want to talk about where you are going from here.

Alderman Lopez so moved to accept the recommendation from the insurance committee that the City negotiate with Anthem Blue Cross/Blue Shield. Alderman Shea duly seconded the motion. Chairman O'Neil called for a vote on the motion. There being none opposed, the motion carried.

Deputy Clerk Johnson stated as the Mayor indicated earlier, you are coming down to the wire in terms of adopting a budget. According to the Charter you have to adopt the budget by June 11, which also happens to be the night that Memorial is graduating so we thought we would point that out to the Board at this time. In addition, you have a layover period and the last day for layover in order to meet your Charter requirements would be June 5, which is a Wednesday. June 4 is a regular Board meeting night so you obviously would not be able to accomplish a lot the night before that. We have held June 3, which is a Monday, open for budget negotiations. We have also looked at the schedule for next week and on

May 29 and May 30 the Chamber is available should the Board want to meet. I know there has been talk about a special baseball meeting next week as well and we would sort of plug that in around things. Lands and Buildings needs to meet on the senior center and we are going to try to plug them in. At this point, the Clerk has no direction as to where the Board wants to go. We need to bring in, obviously, the Enterprise resolutions and have you act on those at your next meeting or at least discuss them. We have no other listing of who you want to bring forward to speak with the Board, if anyone, or how you wish to proceed with your deliberations. Typically, once you are completed seeing the departments you want, you will deliberate it as a body in terms of what cuts you may or may not want to make and ask department heads to be here to answer any questions that might arise. That would be one way to deal with it rather than calling them in individually if there was a question that came up during the course of trying to come to some decisions but it is really up to the Committee.

Chairman O'Neil asked Tuesday night the Chamber is not available.

Deputy Clerk Johnson answered no it is not available. It has been booked by the School Board and the Aldermen have been invited to that meeting.

Alderman Smith stated due to the serious nature of this I think we should meet on May 29 and May 30.

Alderman Shea stated I have a meeting with my constituents on May 29 at 7 PM. I am not sure if I could attend that meeting in its entirety; not that one person missing would make any difference. There are three missing now but on May 29 I would have to be late.

Chairman O'Neil stated I have a conflict on May 30. I would suggest that we schedule both nights and whatever Aldermen can make it would be helpful. I think the other thing that is important is we need all department heads available and they need to be able to discuss their budget and have the materials to discuss their budget as questions may arise.

Alderman Shea asked if we decide, and I am not saying we will decide, but if we decide to cut each department whatever – 2% or 3%, we are allowed to do that. We don't have to tell them specifically where to cut but we just say look we are under the gun and therefore you have to take a 2% cut or a 3% cut or whatever. Not that I am saying we are going to do this but for the members of the Board I think it is within our jurisdiction to do that.

Chairman O'Neil replied that is correct.

Alderman Lopez asked, Carol, June 5 is the layover right. What day is that?

Deputy Clerk Johnson answered that is a Wednesday and that does not necessarily mean that you can't mean in between. What I am saying is that you have to have something laid over by that time if you are going to have a budget on June 11.

Alderman Lopez asked by June 5, not on June 5.

Deputy Clerk Johnson answered June 5 is the last day you can act on a layover.

Alderman Lopez asked so we can't meet that date.

Deputy Clerk Johnson answered yes you can. We have already scheduled a meeting...basically we are holding the Chambers open and planning that you may be here right up to that point.

Chairman O'Neil stated we could lay the Mayor's budget over and then amend it afterwards if we want. We don't have to have all of our decisions by June 5. We just need to lay a budget over.

Alderman Lopez stated so we could lay the budget over on June 5 and between then and June 11 we have a chance to change it.

Chairman O'Neil replied yes.

Deputy Clerk Johnson stated I heard some discussion about the bag and tag revenue situation and I just want to point out that my understanding in the discussion with the Solicitor is that bag and tag will require a change in an ordinance. Even if you adopt the Mayor's budget, let's say, and the Mayor's budget consists of the bag and tag if that ordinance is not passed then you don't have those revenues and that will affect your tax rate obviously down the road. I want to make that clear to the Committee as well in that process.

Alderman Lopez asked what happens if on June 5 we want to layover without the bag and tag. Do we increase the budget?

Deputy Clerk Johnson answered you are not increasing the budget, you are just reflecting the different revenues you need to offset your budget. Your projection of your tax rate would be different.

Alderman Lopez stated so we could take the bag and tag out of there and say this is the budget.

Deputy Clerk Johnson replied yes you could change your revenue projection, certainly. In reality, the revenues are not adopted as part of your resolution on your expenditure side but you usually at that point project some revenues...you know your revenue budget so that you have some anticipation as to what your tax

rate is and usually the Finance Department at the end will work some of those numbers for you so you know where you stand based on what you are saying.

Alderman Lopez asked so your operating is going to increase.

Deputy Clerk Johnson answered your operating budget increase and your revenues decrease and obviously your tax rate is going to go up unless you find another source of revenue.

Alderman Lopez asked so if we take out the bag and tag before June 5 and we are not at a conclusion we can do that.

Deputy Clerk Johnson answered you can change your projected revenues on your budget at any time you wish, yes, as a Committee. Whatever this Committee does it is going to ultimately go out to the full Board again just so you know.

Alderman Lopez stated we are changing the Mayor's budget if we take out the bag and tag. So, the operating budget increases so on June 5 we can say we want that laid over until June 11 and we haven't finalized anything.

Deputy Clerk Johnson replied right.

Alderman Thibault stated seeing that we are tight on time and some people have different conflicts, is it a possibility that we could start our meetings earlier in order to get more accomplished. If we could start let's say at 5:30 PM instead of 7 PM or 7:30 PM I think we can get a lot more accomplished.

Deputy Clerk Johnson replied the only thing I would point out for May 29 and May 30...I mean that is fine later on but on May 29 and May 30 I am trying to reserve some time in there for a special Board meeting for baseball if necessary. It is my understanding that they were going to do the counts today but to meet the deadline that the Board set for those parties to report back, they may need to appear before the Board next week. In addition to that, the Board has requested Lands & Buildings to work quickly on the senior center so I want to make sure...but that Committee can meet during the day if it needs to. I am less concerned about that. You may need an hour in there for a special meeting on baseball.

Alderman Thibault stated even if we started our meetings at 5:30 PM let's say, we could always recess and meet with baseball. I think if we get here an hour and a half or two earlier than normal...

Deputy Clerk Johnson interjected it was our intention to start the meetings somewhere around 5:30 PM for whatever was scheduled anyway.

Alderman Shea stated we have a budget to complete. Why are we talking about meeting with baseball teams?

Deputy Clerk Johnson replied because the Board requested that they report back within a specific period of time.

Alderman Shea asked but can we request that we extend that period. Why do we want to listen to baseball...you know it is not that critical.

Chairman O'Neil stated we put June 4 or 5 as a timeline for them to report back by.

Alderman Shea stated they can come back in July maybe.

Deputy Clerk Johnson stated I don't think it is going to really interfere that much with your Finance Committee meetings. I think we can schedule it around them.

Alderman Shea stated most of our focus should be on the budget and not on catching fly balls.

Alderman Thibault stated, Carol, if you would like you can do a phone poll of the Committee on Lands and Buildings and set the time whenever you want. I will be available.

Deputy Clerk Johnson replied I don't think the senior center is something we want to do by a poll because I am not clear what that would be.

Alderman Thibault responded I mean as far as scheduling the meetings.

Deputy Clerk Johnson stated from what I understand is the membership of that Committee, we should be able to do that earlier in the day. I am not concerned about it.

Chairman O'Neil stated so we will schedule Monday night, June 3 and Wednesday night, June 5 if necessary.

Deputy Clerk Johnson replied yes and then we have June 10 and June 11 set aside as well, but like I said June 11 is Memorial's graduation so there are going to be some conflicts probably that night.

Alderman Shea asked so we are going to schedule meetings next week, May 29 and May 30 as well.

Deputy Clerk Johnson answered yes and is it your preference on May 29 that we schedule that at 5:30 PM.

Alderman Shea replied yes.

Deputy Clerk Johnson stated we will start with the Enterprises for May 29 or would you prefer those to be held until May 30. You could start in on the regular operating side first.

Chairman O'Neil stated I think we need to concentrate on the operating budget.

Deputy Clerk Johnson replied okay than on May 30 we will schedule those Enterprises.

Alderman Lopez stated if we are going to start bringing all of these departments in and that is well and good but we are going to be arguing and there is not question about it. What is the first Saturday in June?

Deputy Clerk Johnson replied June 1.

Alderman Lopez asked can we tentatively schedule that date just in case. In the morning of June 1 to finalize this thing so we are not pushed to the last minute on June 3, and 4 and 5 and getting all of this stuff mixed up? Just as a tentative date in case we need it.

Chairman O'Neil replied yes. Carol, can you get out tomorrow a tentative schedule for everyone please?

Deputy Clerk Johnson asked do you want me to put June 1 as a hold date.

Chairman O'Neil responded yes. The other thing is I think it is important that departments have to be here for these discussions. They may get called on or they may not but they need to be here for these discussions, everyone.

There being no further business, on motion of Alderman Forest, duly seconded by Alderman Smith, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee